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The Secretary of the Treasury
Washington

MEMORANDUM FOR THE PRESIDENT

In the Treasury Department there is a wide range of matters relating to the financing of the Government and to the international position of the United States which will confront the new Administration in the early part of 1953. The matters involved include (1) the financial aspects of United States transactions throughout the world, (2) the formulation of a tax policy to recommend to the Congress, and (3) the management of the public debt.

1. International Finance. -- In the international field, the Treasury is responsible for the coordination of basic financial policies, including those relating to the aid programs administered by State, Defense, and the Mutual Security Agency. The broad political and strategic aspects of foreign policy and national security are to be presented by the State and Defense Departments. Financial aspects of these subjects can be presented to the new President's financial advisers by the Treasury Department at a later time. An important concern of the Treasury is the relationship of international and domestic financial policies, including the impact of the foreign aid programs on taxes and public debt management. Moreover, the Treasury is responsible for the maintenance of the value of the dollar abroad, the operation of our gold bullion monetary standard, cooperation with other countries in foreign exchange policy, and the administration of controls embargoing financial transactions with Communist China. The Treasury is also concerned with the coordination of lending activities of the International Bank and the Export-Import Bank with the grant programs of foreign assistance. In addition to his role as chief financial officer of the Government, the Secretary has special responsibility in foreign financial policy as Chairman of the National Advisory Council on International Monetary and Financial Problems, through his membership on the Council of the North Atlantic Treaty Organization, and through appointment as Governor of the International Bank and of the International Monetary Fund.

2. Taxation. -- In the tax field, the immediate problem will relate to a number of defense tax increases, including the excess

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profits tax, which are due to expire between June 30, 1953, and March 31, 1954. The new Administration will have to formulate a tax program for recommendation to the Congress to meet this situation. The importance of the problem is indicated by the fact that the Government is operating at a deficit and the scheduled tax expiration would reduce revenues by about $2 billion in the fiscal year 1954 and by about $8 billion a year when the reductions reach their full revenue effect.

3. Debt Management. -- In the field of debt management, there is a $267 billion national debt created largely as a result of World War II. Some of this debt will require refunding during 1953. There will be new money to raise to finance the Government deficit, if there is one in the calendar year 1953, and to provide for seasonal cash requirements during periods in which expenditures temporarily exceed receipts. There will also be problems relating to the sales of savings bonds to individuals. It is imperative that the savings bond program, which is a nation-wide campaign of thrift, be continued and extended. There is also the consideration of appropriate securities for various other investment classes.

Technical materials relating to all of these problems are available at the Treasury and can be presented to the new President's financial advisers at any time. These advisers may wish to receive also the briefing given the Treasury's advisory committees of bankers who consult with the Treasury regularly on current financing and debt management problems.

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